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10 Debtor-in-Possession

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re:

THE SOURCE HOTEL, LLC, a
California limited liability company,

Debtor and Debtor in Possession.

Case No.: 8:21-bk-10525-ES

Chapter 11

**DEBTOR'S FOURTH CHAPTER 11
STATUS REPORT**

Status Conference:

Date: November 4, 2021

Time: 10:30 a.m.

Place: ZoomGov

**TO THE HONORABLE ERITHE A. SMITH, UNITED STATES BANKRUPTCY
JUDGE, THE UNITED STATES TRUSTEE, ALL SECURED CREDITORS, TWENTY
LARGEST UNSECURED CREDITORS, AND ALL PARTIES WHO HAVE
REQUESTED SPECIAL NOTICE IN THIS CASE:**

The Source Hotel, LLC, a California limited liability company and the chapter 11 debtor and debtor-in-possession herein (the “Debtor”), hereby files this updated status report (the “Status Report”) in advance of the continued Chapter 11 status conference scheduled on November 4, 2021.

The Debtor filed a voluntary petition for relief under Chapter 11 of 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) on February 26, 2021 (the “Petition Date”). The Debtor is continuing to manage its financial affairs and operate its bankruptcy estate as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

The Debtor was the developer of a seven-story hotel with 178 rooms located in the City of Buena Park, County of Orange, State of California (the “Hotel”). The Debtor is the lessee pursuant to a 99-year ground lease for the real property on which the Hotel was constructed (the “Ground Lease”) with the Debtor’s affiliate, The Source at Beach, LLC.

The Debtor’s primary secured lender was Shady Bird Lending, LLC (“Shady Bird”). After extensive negotiations, the Debtor, Shady Bird, and the guarantors of the Debtor’s loan with Shady Bird, Donald Chae and Min Chae (the “Guarantors”) entered into a settlement as described in that certain *Stipulation For Relief From The Automatic Stay And Ancillary Relief* (together with the related agreements attached thereto, the “Settlement Stipulation”), a true and correct copy of which was filed with the Court on July 19, 2021 as Docket Number 188. The Settlement Stipulation provided for, among other things, a consensual marketing and sale process for the Hotel. The Court entered an order approving the terms of the Settlement Stipulation on August 24, 2021 [Doc. No. 213].

On September 9, 2021, the Debtor filed a motion for authority to conduct an auction of substantially all of the Debtor’s assets, comprised primarily of (i) the Hotel, (ii) the Debtor’s

1 leasehold interest in the Ground Lease (the “Leasehold Interest”), and (iii) flooring and
2 carpeting, lighting, appliances, trade fixtures, furniture, furnishings and equipment already
3 owned by the Debtor (“FF&E,” and together with the Hotel and the Leasehold Interest, the
4 “Assets”), or a sale of the Assets by overbid if an acceptable stalking horse buyer is identified,
5 for hearing on September 30, 2021 or the first available hearing date thereafter [Doc. No. 227]
6 (the “Sale Motion”).

7 On September 14, 2021, the Court entered an order [Doc. No. 233] approving certain
8 bidding procedures to be utilized in connection with the proposed sale and auction of the Assets
9 (“Bidding Procedures”). Among other things, the Bidding Procedures required that bids for the
10 Assets be submitted by September 23, 2021, and scheduled an auction of the Assets on
11 September 30, 2021 at 2:00 p.m. (the “Auction”). Unfortunately, no qualified bid was received
12 for the Assets by the bid deadline of September 23, 2021, or even by the time of the sale hearing
13 and Auction on September 30, 2021. Although the Court continued the sale hearing and Auction
14 from September 30, 2021 to October 1, 2021 at 10:00 a.m. to permit one bidder to confirm
15 delivery of its required deposit, such bidder was ultimately unable to confirm delivery of such
16 deposit. As a result of the foregoing, the Court denied the Sale Motion.

17 As part of the Settlement Stipulation, the Debtor stipulated to relief from the automatic
18 stay to permit a non-judicial foreclosure sale of the Hotel to occur on a date that is after the date
19 of the Auction, if there is no financially qualified bidder by the bid deadline. Since no qualified
20 bid was received for the Assets by the time of the Auction, Shady Bird proceeded with its
21 foreclosure sale on October 4, 2021, and Shady Bird ultimately obtained ownership of the Hotel
22 and related Assets at such foreclosure sale.

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1 Given that the Hotel and related Assets, which are the primary (if not, only) assets of the
2 Debtor's bankruptcy estate, have been foreclosed upon by Shady Bird and are no longer part of
3 the Debtor's bankruptcy estate, there is no realistic ability for the Debtor to successfully
4 reorganize in this bankruptcy case and there are no other appreciable assets for the Debtor to
5 liquidate. Accordingly, the Debtor will seek to dismiss this bankruptcy case.

6 Dated: October 21, 2021

THE SOURCE HOTEL, LLC

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9 By: _____

10 RON BENDER
11 JULIET Y. OH
12 LEVENE, NEALE, BENDER, YOO
13 & BRILL L.L.P.
14 Attorneys for Chapter 11 Debtor and
15 Debtor-in-Possession
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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing **DEBTOR'S FOURTH CHAPTER 11 STATUS REPORT** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **October 21, 2021**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Ron Bender rb@lnbyb.com
- Sean R Bozarth seanb@novianlaw.com
- Christopher G. Cardinale ccardinale@agclawfirm.com, mgonzalez@agclawfirm.com
- Michael G Fletcher mfletcher@frandzel.com, sking@frandzel.com
- Amir Gamliel amir-gamliel-9554@ecf.pacerpro.com, cmallahi@perkinscoie.com; DocketLA@perkinscoie.com
- Robert P Goe kmurphy@goeforlaw.com, rgoe@goeforlaw.com; goeforecf@gmail.com
- Nancy S Goldenberg nancy.goldenberg@usdoj.gov
- Peter F Jazayeri peter@jaz-law.com
- Won Lee dlee@metallawgroup.com
- Daniel A Lev dlev@sulmeyerlaw.com, ccaldwell@sulmeyerlaw.com; dlev@ecf.inforuptcy.com
- Robert K Lu ewu@reidwise.com
- Aaron J Malo amalo@sheppardmullin.com, clopez@sheppardmullin.com; abilly@sheppardmullin.com
- Kyle J Mathews kmathews@sheppardmullin.com
- Juliet Y Oh jyo@lnbyg.com, jyo@lnbyb.com
- Ho-El Park hpark@hparklaw.com
- Ronald N Richards ron@ronaldrichards.com, morani@ronaldrichards.com
- United States Trustee (SA) ustpregion16.sa.ecf@usdoj.gov

2. SERVED BY UNITED STATES MAIL: On **October 21, 2021**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service List continued on attached page

1 **3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR**
2 **EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR,
3 on **October 21, 2021**, I served the following persons and/or entities by personal delivery, overnight mail
4 service, or (for those who consented in writing to such service method), by facsimile transmission and/or
5 email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight
6 mail to, the judge will be completed no later than 24 hours after the document is filed.

7 *None.*

8 I declare under penalty of perjury under the laws of the United States of America that the foregoing is
9 true and correct.

10 October 21, 2021

11 Stephanie Reichert

12 /s/ Stephanie Reichert

13 *Date*

14 *Type Name*

15 *Signature*

The Source Hotel, LLC
OUST, Secured, Top 20, RSN

Nancy S Goldenberg
United States Trustee (SA)
411 W Fourth St Ste 7160
Santa Ana, CA 92701-8000

Secured Creditors:

3D Design - Millwork
8152 Indianapolis Ave.
Huntington Beach, CA 92646

Aragon Construction, Inc.
5440 Arrow Highway
Montclair, CA 91763

Beach Orangethorpe II, LLC
P.O. Box 489
Buena Park, CA 90621

Beach Orangethorpe III, LLC
P.O. Box 489
Buena Park, CA 90621

Beach Orangethorpe, LLC
P.O. Box 489
Buena Park, CA 90621

Beachamp Distributing Co.
1911 South Santa Fe Avenue
Compton, CA 90221

Best Quality Painting
818 N. Pacific Ave., #C
Glendale, CA 91203

Certified Tile
14557 Calvert St.
Van Nuys, CA 91411

Evergreen Electric Construction
629 Grove View Lane
La Canada, CA 91011

Iron Mechanical
721 North B Street
Suite 100
Sacramento, CA 95811

KS Steel Corp.
1748 Industrial Way
Los Angeles, CA 90023

Nemo & Rami
1930 W. Holt Ave.
Pomona, CA 91768

Northstar
404 North Berry Street
Brea, CA 92821-3104

Pan Pacific
18250 Euclid Street
Fountain Valley, CA 92708

PDG Wallcoverings
26492 Via Juanita
Mission Viejo, CA 92691

Prime Concrete Coatings
6127 James Alan St.
Cypress, CA 90630

Resco Electric Inc.
2431 W. Washington Blvd. Suite B
Los Angeles, CA 90018

Retrolock Corp
17915 Railroad Street
City of Industry, CA 91748

Salamander Fire Protection, Inc
6103 Tyrone Street
Van Nuys, CA 91401

Shady Bird Lending, LLC
c/o Law Offices of Ronald Richards
P.O. Box 11480
Beverly Hills, CA 90213

Solid Construction
883 Crenshaw Blvd.
Los Angeles, CA 90005

Sunbelt Controls, Inc.
888 E. Walnut Street
Pasadena, CA 91101

Grant Nigolian, P.C.
695 Town Center Drive, Suite 700
Costa Mesa, CA 92626

Hunt Ortmann Palffy Nieves et al.
301 North Lake Avenue, 7th Floor
Pasadena, CA 91101-1807

Law Office of Ho-El Park, P.C.
333 City Blvd. West, Suite 1700
Orange, CA 92868

Law Office of Michael N. Berke
25001 The Old Road
Santa Clarita, CA 91381

Law Offices of Dennis G. Cosso
345 Oxford Drive
Arcadia, CA 91007

Porter Law Group, Inc.
7801 Folsom Blvd., Suite 101
Sacramento, CA 95826

Robinson & Robinson, LLP
2301 Dupont Drive, Suite 530
Irvine, CA 92612-7502

Shady Bird Lending, LLC
c/o Law Offices of Geoffrey Long
1601 N. Sepulveda Blvd., No. 729
Manhattan Beach, CA 90266

Splinter & Thai, LLP
25124 Narbonne Ave., Suite 106
Lomita, CA 90717-2140

American Integrated Resources, Inc.
2341 North Pacific Street
Orange CA 92865-0000

Glendale Plumbing & Fire Supply
11120 Sherman Way
Sun Valley CA 91352-0000

Mirae Construction, Co.
2222 S. Broadway
Los Angeles CA 90007-0000

Sierra West Finish, Inc.
654 S. Lincoln Avenue
San Bernardino CA 92408-0000

Top 20 Unsecured Creditors:

Newgens, Inc.
14241 Foster Rd.
La Mirada, CA 90638

Cabrillo Hoist
P.O. Box 3179
Rancho Cucamonga, CA 91729

WESCO Distribution Inc.
6251 Knott Ave.
Buena Park, CA 90620

Harbor All Glass & Mirror, Inc.
1926 Placentia Ave.
Costa Mesa, CA 92627

Diablo Consulting
13200 Crossroads Parkway N
Ste. 115
City of Industry, CA 91746

Ace Tek Roofing Co.
747 S. Ardmore Ave., Suite 405
Los Angeles, CA 90005

Morrow Meadows
231 Benton Court
City of Industry, CA 91789

Chefs Toys
18430 Pacific Street
Fountain Valley, CA 92708

Stumbaugh & Associates, Inc.
3303 N. San Fernando Blvd
Burbank, CA 91504

HBA Procurement, Inc.
3216 Nebraska Ave.
Santa Monica, CA 90404

OJ Insulation LP
600 S Vincent Ave.
Azusa, CA 91702

DKY Architects
15375 Barranca Pkwy.
Suite A-210
Irvine, CA 92618

Master Glass
2225 W. Pico Blvd, Unit C
Los Angeles, CA 90006

Universal Flooring Systems
15573 Commerce Lane
Huntington Beach, CA 92649

L2 Specialties
3613 W. Macarthur Blvd., #611
Santa Ana, CA 92704

Ficcadenti Waggoner
16969 Von Karman Avenue
Suite 240
Irvine, CA 92606

Retrolock Corp
17915 Railroad Street
City of Industry, CA 91748

American Engineering Laboratories Inc.
PO Box 1816
Whittier, CA 90609

Westransco Inc.
1771 N. Delilah Street
Corona, CA 92879

Hirsch Bedner Associates
3216 Nebraska Avenue
Santa Monica, CA 90404

Nemo & Rami, Inc.
1930 W. Holt Ave.
Pomona, CA 91768

Alcal Specialty Contracting Inc.
4589 Firestone Blvd.
South Gate, CA 90280

Request for Special Notice:

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Los Angeles, CA 90071

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REID & WISE LLC
One Penn Plaza, Suite 2015
New York, New York 10119